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C O N F I D E N T I A L SECTION 01 OF 02 HAVANA 000078

SIPDIS

STATE FOR WHA/CCA

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TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [CU](#)  
SUBJECT: CUBAN LAND REFORM?

REF: A. 08 HAVANA 790  
[1](#)B. 08 HAVANA 593

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Classified By: CHARGE: James L. Williams: For reasons 1.4 (b) and (d)

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SUMMARY  
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[1](#)1. (SBU) Cuba's Agriculture Ministry has reportedly approved 45,518 applications to lease idle land to private farmers, cooperatives, and state farms. The announcement, reported on February 2 by the official Communist Party newspaper Granma, is the most significant step to date in what some international press are calling the largest land redistribution since the 1960s. The leasing of idle land is the centerpiece of Raul Castro's emphasis on increasing domestic agriculture production to reduce Cuba's heavy reliance on food imports. However, providing land alone is unlikely to create more than subsistence farming without a realignment of incentives and better access to supplies. End Summary.

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A DECENT START  
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[1](#)2. (U) Speaking to a gathering of provincial government leaders, Deputy Agriculture Minister Alcides Lopez Labrada said that as of January 22 his ministry had received 96,419 applications for 657,896 hectares (1.6 million acres) of land. This represents about 50 percent of the land the Government of Cuba (GOC) considers idle and 18 percent of the total non-productive arable land (idle land plus empty natural pastures). Official statistics show that Cuba currently uses only 45 percent of its 16.35 million acres of arable land. Of the productive land, 23 percent is controlled by state farms, 50 percent by cooperatives, and 27 percent by private farmers and local farm associations.

[1](#)3. (SBU) According to Lopez, more than 30,000 of the applications were "redirected" for requesting land the Ministry of Agriculture did not classify as idle. From the remaining 66,000 applications, 45,518 were approved, 88 percent of which have already turned into agreements with the Cuban Government to start production. The relevant laws,

Decreets 259 and 282 (Refs A and B) published in July and August of 2008, respectively, permit leases of up to 10 years for private farmers and up to 25 years for the less productive but more easily controlled cooperatives and state farms. Both may be extended at the end of the lease. New farmers may receive up to 33 acres, although many applied for much less. Farmers who already work land may increase their holdings up to 100 acres.

14. (SBU) Granma did not report how much of the requested 1.6 million acres was approved. Nor did they report on the distribution of land to private farmers, cooperatives, and state farms. By law, beneficiaries could lose the land at any time if they fail to fulfill a number of requirements, including government production quotas, the payment of newly created taxes, and retaining the favor of representatives from the national agriculture union and local supplies cooperative.

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BUT A LOT MORE WORK TO DO  
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15. (SBU) Agriculture production (including fishing but excluding sugar) has leveled off in real terms and declined as a percentage of GDP over the past decade. In 1996 and 1997, Agriculture production represented 7.2 percent of real GDP. In 2008, it represented only 4.2 percent. Sugar production, once more than half the Cuban economy, now represents a mere 0.5 percent of GDP. Despite three devastating hurricanes, the GOC reported a 1.5 percent increase in agriculture production and 1.6 percent increase in sugar (including sugar products) in 2008. In the selected statistics released thus far, the GOC saw increases in the

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production of root vegetables and milk. Additional figures rightly represent what we saw in local farmer's markets showing a 25 percent fall in the production of citrus fruit, 25 percent reduction in bananas, 10 percent decrease in tomatoes, and 10 percent decrease in corn.

16. (SBU) Cuba reportedly spent nearly one billion dollars more on food in 2008 than 2007 due largely to higher international prices, but also partly to additional imports required to replace fruits and other goods lost in the hurricanes. Cuba imports up to 84 percent of the food it consumes, including some products produced in Cuba. For example, high quality coffee is produced in Cuba for export to generate foreign currency, while low quality coffee is imported and sold to the Cuban population at highly subsidized prices through the ration system. Farmers, however, see little of the foreign currency earned from the export of their products.

17. (SBU) Since assuming the presidency one year ago this month, Raul Castro has sought to implement measures to increase food production. Early in 2008, he moved some administrative functions from Havana to the provinces. He increased state payments to farmers for milk and some other key products. He also created credit mechanisms to provide better access to farming supplies and equipment. However, it is unclear if these reforms have been effective or even fully implemented as we continue to hear reports of farms with antiquated or insufficient resources necessary to meet their government quotas, let alone sell in the farmer's markets where any real profit is found. The Cuban state maintains a monopoly on all the means of production (supplies, etc.) and the commercialization of all but a tiny percentage of the fruits of production.

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COMMENTS  
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18. (C) To the extent that leases are approved for private

farmers rather than the much less efficient cooperatives or state farms, agricultural production will undoubtedly increase in the next two years. However, much of the land to be leased was idle for a reason. Most is overrun with marabu (an extremely strong and stubborn weed/root) and some includes very poor soil. As the government dictates what each farmer should plant, there is no room for experimentation or trial and error. In addition, the agricultural sector is currently woefully undersupplied. We have no reason to believe that the GOC, as the lone supplier, will be able to meet the needs of 45,000 additional farms covering some 1 million more acres. Finally, even with fertile land and ample supplies, Cuban farms will continue to under-perform without the promise of a profitable market (domestic or foreign). Price controls at the only domestic outlet, the supply and demand farmer's markets, remain in effect since the end of hurricane season as a reminder that the GOC does not intend to give up their monopolies any time soon.

WILLIAMS